



COMMONWEALTH OF MASSACHUSETTS

GROUP INSURANCE COMMISSION

FISCAL YEAR 2001 ANNUAL REPORT



Group Insurance
Commission

BENEFITS
For All Seasons

Providing Massachusetts State Employees, Retirees, and Their Dependents with Access to Quality Care at Reasonable Costs

The Group Insurance Commission is a quasi-independent state agency that provides and administers health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, retired employees in certain governmental units, and retired municipal teachers. The Commission is comprised of eleven members, encompassing a range of interests and expertise including labor representatives, retirees, public members, executive branch representatives, and a health economist. The Governor appoints members to the Commission.



The GIC Manages the Following Programs

- Health Insurance: Self-insured GIC Indemnity Plan and Commonwealth PPO, and seven insured HMOs
- Basic and Optional Life Insurance
- Long Term Disability Insurance
- GIC Dental/Vision Program for the legislature and its staff, managers and executive offices

As part of our self-insured plans, we manage prescription drug and mental/health substance abuse benefits including an Employee Assistance Program with a component for state agencies.

See our Benefit Decision Guides for additional details on these programs.

Dear Friends:

Corresponding to our mission of quality care at reasonable costs, the Group Insurance Commission focused its efforts on three areas during Fiscal Year 2001:

- Improving patient safety
- Improving quality of care
- Containing costs

We were the first New England governmental agency to join the Leapfrog Group, a coalition of large employers and government agencies across the country committed to improving patient safety. According to the Institute of Medicine (IOM), medical errors cause the death of more people than automobile accidents. Knowing that Massachusetts is not immune from these same kinds of medical errors, we incorporated proven patient safety standards developed by Leapfrog into our FY 2002 Health Maintenance Organization and Preferred Provider Organization administrator contracts. The GIC also implemented new prescription drug intervention programs and added a unique risk intervention pilot program for the Commonwealth PPO.

We gave enrollees new tools to help them take charge of their health. Our quarterly newsletter included a variety of health information articles and highlighted corresponding HMO disease management programs. Many of our programs went out to bid during the year. The non-health care programs were enhanced; premiums remained stable and were even reduced for most enrollees on the optional life insurance program. These initiatives are outlined in the following pages.

We appreciate your continued support of our mission.

Sincerely,



Dolores L. Mitchell
Executive Director

ADVOCATING IMPROVED PATIENT SAFETY

In 1999 the Institute of Medicine (IOM) published a report estimating that 44,000 to 98,000 people die each year as the result of preventable medical errors in hospitals, more than are killed by motor vehicle accidents, breast cancer, or AIDS. These medical mistakes cost an estimated \$8.8 billion annually.

In response to the report, the GIC joined the Leapfrog Group, a national coalition of large employers who are addressing patient safety. The GIC also adopted standards for our new health plan contracts corresponding to the Leapfrog Group's safety measures, which have been proven to reduce medical mistakes:

- Computerized physician order entry of prescriptions in the hospital;
- Intensive care unit (ICU) staffing by physicians certified in critical care
- Identifying hospitals with extensive experience with specific high-risk diagnoses or procedures.

The GIC will require our HMOs and the PPO to submit baseline statistical information in FY 02, to communicate with members about patient safety and to develop a plan to work with the Massachusetts hospitals to improve systems and processes that affect safety. The GIC will provide incentives in FY 2003 and 2004 to health plans that demonstrate measurable increases in the percentage of admissions to "safety-enhanced" hospitals. We will, in turn, provide this information to enrollees to assist them in making decisions about their inpatient treatment.

PPO Risk Intervention Program

In FY 2001 the GIC required, as part of its procurement for the Commonwealth PPO, a new program to help detect possible cases of inappropriate care, as well as reduce medical errors. The Early Risk Intervention Program combines cutting edge software with physician expertise to detect potential health care errors. By bringing these issues to the attention of the patient's treating physician, care can be modified to ensure that the best, most appropriate care is delivered or that inappropriate, possibly harmful treatment is avoided.

New Drug Intervention Program

In FY '01 the GIC turned to a new pharmacy benefit manager, Express Scripts, Inc. (ESI) for Indemnity and Commonwealth PPO enrollees. ESI recommended, and the GIC adopted, new drug intervention programs. The interventions are focused on the following:

- Seniors who may be taking too many drugs, some of which may interact to harm the patient;
- Seniors taking drugs that shouldn't be prescribed for the elderly;
- Ineffective treatments for ulcers;
- Multiple prescriptions for controlled medications.

If an enrollee's prescription raises any of these concerns, Express Scripts contacts the patient's physician so that possible harm can be avoided.

Giving Enrollees Cost Choices

The GIC instituted a three-tier co-pay structure for

the Indemnity Plan and PPO pharmacy program benefits, which provides an incentive for using medications that are safe, effective and less costly, while still maintaining a full choice of covered drugs.

Instituting Risk Adjustment

Over the last ten years the GIC observed that our health plans had striking cost differences despite their similar benefits. Our older and less healthy enrollees tended to enroll in the Indemnity Plan, and our younger, healthier enrollees tended to enroll in HMOs. This shift was a major driver of the cost differences among the plans. During FY 2001, the Commission voted to adopt a risk

adjustment payment methodology that adjusts payments to plans after annual enrollment based on shifts in enrollment. The more unhealthy their population, the more plans would receive to treat them. Conversely, the healthier the population, the less the plans need to take care of them. In this way, plans are being paid fairly for the population they cover.

This approach is expected to increase HMOs' comfort with enrolling older and less health enrollees by paying HMOs to cover a population that might have higher health utilization needs. This initiative will help to equalize the cost disparities between plans.



OTHER BENEFIT NEWS

New Life Insurance Carrier Selected

During FY '01 the GIC went out to bid for a Life and Accidental Death and Dismemberment insurance carrier. The GIC selected UNUM Provident as the new life insurance carrier effective for a five-year contract beginning July 1, 2001. The GIC enhanced Accidental Death and Dismemberment benefits, added paralysis and seat belt coverage, and several other benefits. Premiums were reduced for the optional life insurance employee-pay-all program. The new contract also offers all GIC enrollees a telephonic and web-based LifeBalance® resource for everyday concerns such as parenting and child care, emotional well-being, addiction and recovery, work issues, home repairs, nutrition, legal matters, senior care options, and financial issues. This program, which includes three annual face-to-face

counseling sessions, complements EAP services available through some of the GIC's health plans.

New Vision Carrier Selected

The vision portion of the GIC Dental/Vision plan for staff in the legislature, executive offices, and managers, who are not covered by collective bargaining, also went out to bid during FY '01. The GIC selected Davis Vision as the new carrier effective July 1, 2001. The plan provides a Preferred Provider statewide network of over 375 vision providers, a 400% increase over the previous network size. Some in-network benefit enhancements were also made for exam frequencies. Free polycarbonate lenses for children age 18 and under are now included.

Retiree Pay-all Dental/Vision Program Studied

As part of the FY '01 budget, the Legislature authorized the GIC to study the feasibility for a retiree pay-all Dental/Vision plan. Under this plan type, participants would pay 100% of the premium. In cooperation with the Retired State, County and Municipal Employees Association of Massachusetts, a survey was developed to explore retiree interest and ability to pay for dental/vision benefits. Response rates were exceptional and retiree interest in a dental/vision program was very strong. However, the survey's estimated monthly dental insurance premiums were found to be unaffordable, carrier interest was low, and estimated premiums were high.

After discussing these findings, the GIC began negotiations with our new vision carrier to offer a discounted eyewear program with deeper discounts than those currently available in the market. This program was implemented in FY '02. We will use the FY '02 employee dental plan procurement to increase carrier interest in a voluntary retiree plan for July 2002.

The GIC Encourages Enrollees to Take Charge of Their Health

The GIC's communication efforts continued to evolve to complement our mission. We actively promoted our Plans' disease management programs with our quarterly

newsletter; these were tied in with articles devoted to ways enrollees can promote their own health and well being. The GIC also provides enrollees with a report card on quality of its HMOs' care, based on criteria established by the National Center for Quality Assurance (NCQA). The annual Benefit Decision Guides were enhanced to include more comprehensive mental health benefit charts, Employee Assistance Program information, and a worksheet to help select a health plan. The Medicare and Non-Medicare guides were merged into one to assist retirees and survivors with understanding Medicare and its GIC benefit implications.

Collaboration

GIC staff collaborate with a number of governmental and private organizations to improve quality care and contain costs; these include the Massachusetts Healthcare Purchasers Group, the Massachusetts Health Data Consortium, the Massachusetts Compassionate Care Coalition, the Department of Health and the Health Care Committee of Associated Industries of Massachusetts.

The GIC will continue to work on improving quality care and containing costs for our enrollees, state agencies, and Massachusetts taxpayers. Thank you for supporting the GIC and our mission.



GROUP INSURANCE COMMISSION
STATEMENT OF EXPENDITURES

FY2001

FY2001 EXPENDITURES

DESCRIPTION	COMMONWEALTH	EMPLOYEES (EST.)	TOTAL
Administration	\$2,261,239	\$0	\$2,261,239*
State Employees' And Retirees' Basic Life Insurance	\$7,251,973	\$1,159,985	\$8,411,958
State Employees' Optional Life Insurance	\$0	\$16,696,808	\$16,696,808
State Employees' Health Insurance**	\$598,344,982	\$110,135,938	\$708,480,920
State Employees' Dental And Vision Insurance For Non-Union Employees	\$5,590,887	\$1,094,208	\$6,685,095
Long Term Disability Insurance For State Employees	\$0	\$8,997,421	\$8,997,421
Elderly Governmental Retirees' Health Insurance	\$1,153,830	\$174,023	\$1,327,853
Retired Municipal Teachers' Life Insurance	\$636,379	\$131,722	\$768,101
Retired Municipal Teachers' Health Insurance	\$28,404,692	\$5,316,389	\$33,721,081

* Plus an additional \$601,661.42 from employee trust funds, see statement on page 6.

**Medical and prescription drug co-payments and deductibles for FY01 totaled approximately \$68 million.

RATE STABILIZATION RESERVE STATEMENT
JULY 1, 2000-JUNE 30, 2001

RESERVE	BALANCE 7/1/2000	RECEIPTS 7/1/2000-6/30/2001	EXPENDITURES 7/1/2000-6/30/2001	BALANCE 6/30/2001
Basic Life	\$1,864,465.70	\$111,794.41	\$0.00	\$1,976,260.11
Optional Life	\$9,572,021.05	\$1,472,546.75	\$0.00	\$11,044,567.80
Employee Health	\$959,926.14	\$53,129.60	\$0.00	\$1,013,055.74
EGR Health	\$1,244,548.94	\$60,610.41	\$219,788.36	\$1,085,370.99
RMT Life	\$81,754.22	\$4,902.05	\$0.00	\$86,656.27
RMT Health	\$21,947.74	\$1,313.94	\$0.00	\$23,261.68
Total	\$13,744,663.79	\$1,704,297.16	\$219,788.36	\$15,229,172.59

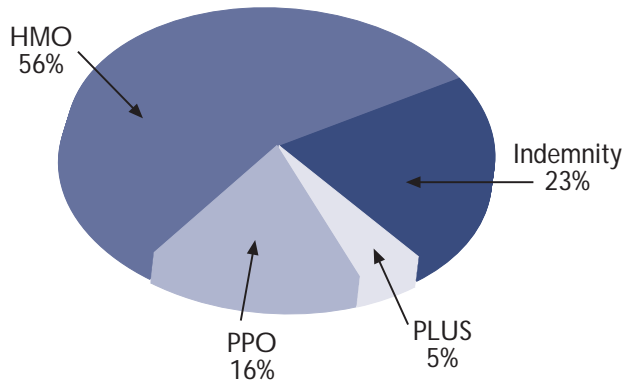
EMPLOYEES' TRUST FUND STATEMENTS

STATE EMPLOYEES' TRUST FUND	
July 1, 2000-June 30, 2001	
Balance 7/1/2000	\$4,462,395.75
Receipts	\$948,482.02
Expenditures	(\$601,661.42)
Balance 6/30/2001	\$4,809,216.35
ELDERLY GOVERNMENTAL RETIREES' TRUST FUND	
JULY 1, 2000-JUNE 30, 2001	
Balance 7/1/2000	\$568,114.75
Receipts	\$29,824.65
Expenditures	(\$94,754.60)
Balance 6/30/2001	\$503,184.80
RETIRED MUNICIPAL TEACHERS' TRUST FUND	
JULY 1, 2000-JUNE 30, 2001	
Balance 7/1/2000	\$393.59
Receipts	\$23.61
Expenditures	\$0.00
Balance 6/30/2001	\$417.20

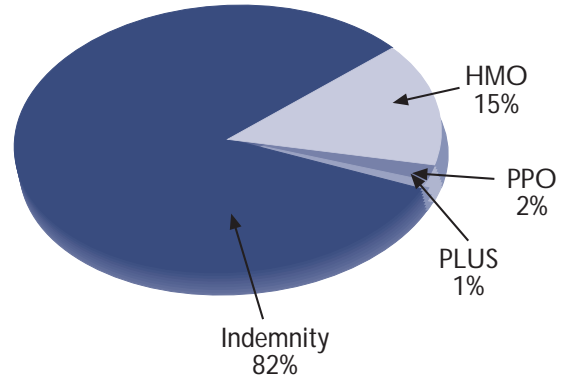


ENROLLMENT BY PLAN FY01

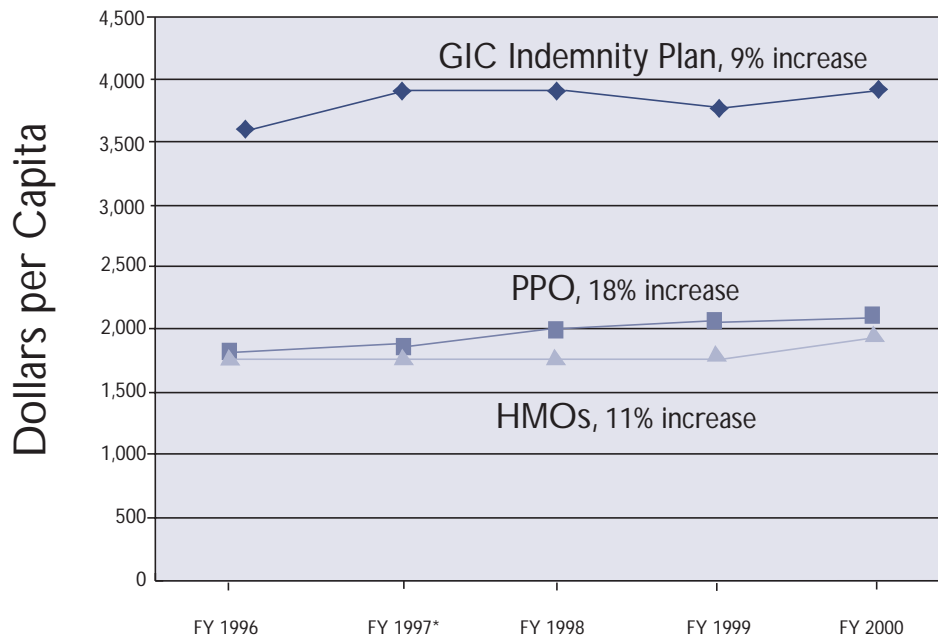
ACTIVE EMPLOYEES



RETIREES



PLAN COST PER INSURED



*PLUS Plan began in FY 1997

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GROUP INSURANCE COMMISSION
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Commonwealth of Massachusetts

Jane Swift, Governor

GROUP INSURANCE COMMISSION

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